Color of Money

Presented by
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DCMA Contracts FSR
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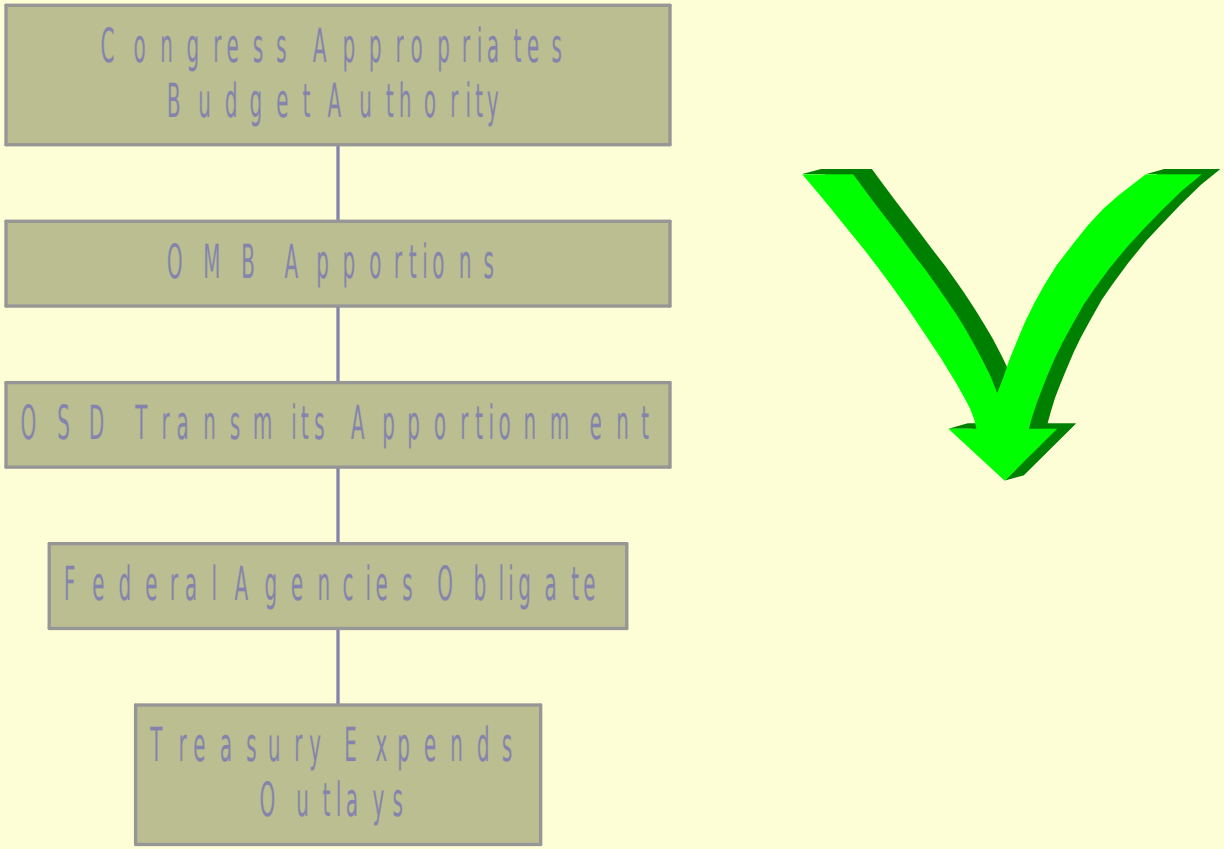
FLOW OF FUNDS



APPROPRIATION

- Legal Basis for Withdrawing Funds From the Treasury
- May Contain Specific Provisions for Specific Expenditures

PUTS MONEY IN THE CHECKBOOK

AUTHORIZATION

- Congress Authorizes Purposes of Appropriations
- Generally, DoD Can Not Expend or Obligate Appropriations Without Authorization

OPENS THE CHECKBOOK

APPROPRIATION AVAILABILITY MAJOR CHANGES

- PUBLIC LAW 101- 510
  - **Enacted by Congress on November 5, 1990**
  - **Compelled by need for tighter control and accountability**
  - **Fundamentally restructured appropriation availability**
  - **Incorporated "canceled" phase into funding life cycle**
    - **Funds now required to be not only obligated but also liquidated within specified timeframes**

APPROPRIATION AVAILABILITY MAJOR CHANGES

- Beginning with FY91 National Defense Authorization Act, and in accordance with PL 101- 510, merged or “M” accounts no longer allowed
  - **Three-year phase out for existing M accounts**
  - **As of September 30, 1993, all remaining M account balances canceled**

IMPACT OF ADDING “CANCELED” PHASE

- Heightened awareness of regulations and restrictions governing appropriations and their use
- Tighter adherence to three basic tenets of fiscal law
  - **Time, purpose, and intent**
- Availability, obligation, and liquidation of funds more closely monitored

IMPACT OF ADDING “CANCELED” PHASE

- Increased emphasis upon early identification of both excess funds and funds awaiting disbursement
- If funds do cancel and are later needed to fulfill prior year’s obligation, replacement funds must be withdrawn from current year appropriations
  - **Budgets continuing to be reduced each fiscal year**
  - **Use of current year funding to settle prior year(s) obligations particularly costly**

IMPACT OF ADDING "CANCELED" PHASE

- Services limited to using 1% of current year funding for replacement of canceled funds
- Amounts beyond 1% require Congressional approval

EXPIRING VS. CANCELING

- Obligation
  - Act Legally Binding the Government to Make Payment
- Expiring Funds
  - No Longer Available for Obligation
- Canceling Funds
  - No Longer Available for Payment

OBLIGATION AVAILABILITY

OR DO YOU KNOW WHEN YOUR FUNDS EXPIRE?

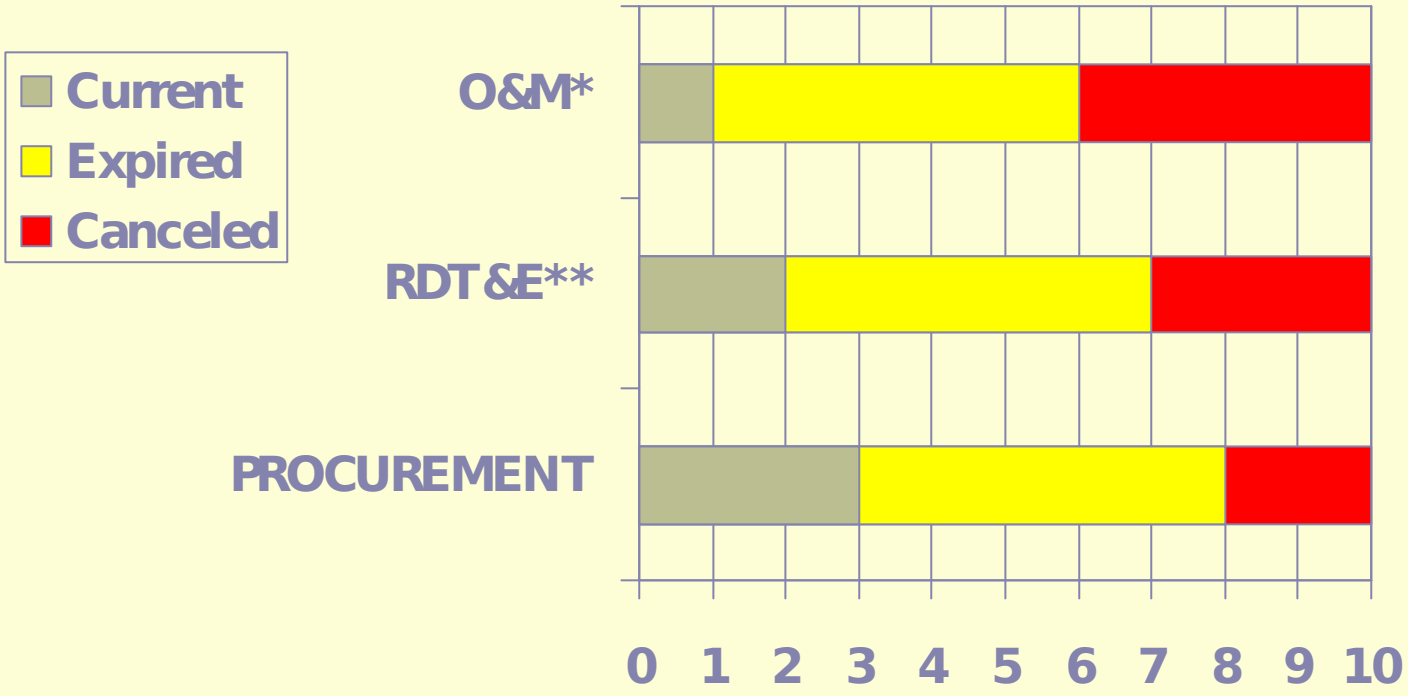
- O&M Funds
  - 1 Year
- R&D Funds
  - 2 Years
- Procurement Funds
  - 3 Years
- Military Construction
  - 5 Years

EXPENDITURE AVAILABLITY

OR DO YOU KNOW WHEN YOUR FUNDS CANCEL?

- All Funds Available for Expenditure for 5 Years After Obligation Period Ends
- After end of Expenditure Period… Funds Cancel and Are no Longer Available for Payment Purposes

Current, Expired, & Canceled Funds



*Operations & Maintenance

**Research, Development, Test & Evaluation

ACCOUNTING CLASSIFICATION DATA

- **Long Line Accounting Classification Data:**
  - Comprised of seven to twelve fields of data
  - Type of data and field identifiers differ between Services
  - All Services do include **appropriation symbol** in long line

ACCOUNTING CLASSIFICATION DATA

- **Examples:**

Army

AA: 2142020 0132 4 65 7902 P612706 2581 S28017 405203 W15R7

Air Force

AA: 5753010 FA20 11 5 36 WX 10B01B 000000 00000 ICSGAR

503100 F03100

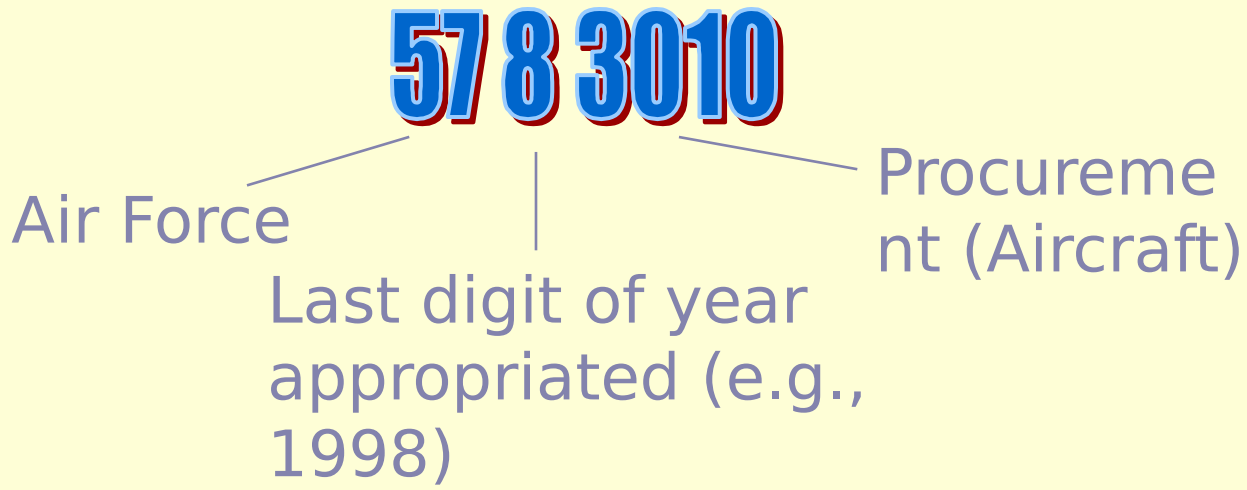
DLA

CG: 9760400 4300 001 00000 260 S36054

Navy

CG: 1731506 47C2 260 01407 0 000383 1F 000383 00000000X01C

How to Read a Fund Cite
(First 7 positions only)



17 = Navy

21 = Army

57 = Air Force

97 = DoD (e.g., DLA)

SAMPLE: COMPUTING THE LIFE CYCLE OF FUNDS

➡ **Computing The Life Cycle - Current, Expired, & Canceled:**

- Contract No. DAAB07-88-C0001, ACRN AA
- Appropriation Symbol - 2182040 (In Basic Contract)
  - Dept Code “21” = Army funds
  - Program Year “8” = FY 88 appropriation
  - Basic symbol “2040”= RDT & E funds

SAMPLE: COMPUTING THE LIFE CYCLE OF FUNDS

- **Current Phase: RDT & E funds, available 2 years for obligation - Oct 01, 1987 (Beginning of FY88) through Sep 30, 1989 (End of FY89)**

- **Expired Phase: Oct 01, 1989 through Sep 30, 1994**
  - Five years between “expiration” and “cancellation”
  - For all funds except continuous or revolving accounts

- **Canceled Phase: At end of five year “expired”phase, account is closed and all unliquidated balances canceled**
  - Funds that cancel may require current year replacement funds

Appropriations by Service
Navy (“17”)

CODE	CATEGORY	APPROPRIATION	PERIOD
17-1109	Procurement	Marine Corps	3 Years
17-1205	Procurement	Construction	3 years
17-1235	Procurement	Construction	3 Years
17-1506	Procurement	Navy Procurement - Aircraft	3 Years
17-1507	Procurement	Navy Procurement - Weapons	3 Years
17-1611	Procurement	Construction & Repair Shipbuilding	3 Years
17-1810	Procurement	Navy Procurement - Other	3 Years
17-1319	RDT&E	RDT&E	2 Years

Appropriations by Service
Navy (“17”) (cont’d)

CODE	CATEGORY	APPROPRIATION	PERIOD
17-0350	O&M	O&M	1 Year
17-1106	O&M	Marine Corps	1 Year
17-1107	O&M	Marine Corps Reserves	1 Year
17-1804	O&M	Navy	1 Year
17-1806	O&M	Navy Reserve	1 Year
17-3980	Other	Navy Management Fund	Indefinite
17-4911	Other	Navy Stock Fund	Indefinite
17-4912	Other	Navy Industrial Fund	Indefinite

Appropriations by Service
Army (“21”)

CODE	CATEGORY	APPROPRIATION	PERIOD
21-2031 through 21-2035	Procurement	Procurement	3 Years
21-2031	Procurement	Aircraft	3 Years
21-2032	Procurement	Missiles	3 Years
21-2040	RDT&E	RDT&E	2 Years
21-2010	O&M	Army Military Personnel	1 Year
21-2020	O&M	O&M	1 Year
21-2065	O&M	National Guard	1 Year
21-2080	O&M	Army Reserves	1 Year
21-4991	Other	Stock Fund	Indefinite
21-4992	Other	Industrial Fund	Indefinite

Appropriations by Service
Air Force (“57”)

CODE	CATEGORY	APPROPRIATION	PERIOD
57-3010	Procurement	Aircraft	3 Years
57-3020	Procurement	Missiles	3 Years
57-3080	Procurement	Other	3 Years
57-3600	RDT&E	RDT&E	2 Years
57-3400	O&M	O&M General	1 Year
57-3500	O&M	Air Force Military Personnel	1 Year
57-3700	O&M	AFRES Military Personnel	1 year
57-3740	O&M	Air Force Reserves	1 year
57-3840	O&M	Air National Guard	1 Year

Appropriations by Service
DoD (“97”)

CODE	CATEGORY	APPROPRIATION	PERIOD
97-0300	Procurement	Procurement	3 Years
97-0400	RDT&E	RDT&E	2 Years
97-0100	O&M	O&M	1 Year

Sample Fund Cite: 21 6 2040 181096P5228182572…

1. What Service is this?

2. What year do these funds “expire”?

3. What year do these funds “cancel”?

4. Would these funds be considered “current” during a. 1996?

   b. 1997?

   c. 1998?

(Answers on Next Page. No peeking!!!)

Quiz Answers

1. **Army**, since the first two positions are “21.”

2. **1998**. The “6” in the third position indicates these are 1996 funds. (There’s an outside chance they could be 1986 or 1976, but let’s hope not!) The “2040” in the 4th through 7th positions tells us these are Army RDT&E funds, which we know are “current” for two years, after which they “expire.” That means these funds are “current” during 1996 and 1997, and will “expire” the first moment of 1 Oct 97 (i e., the first day of FY 1998).

(Continued)

Quiz Answers

3. **2003**. After funds are no longer “current,” they all enter a 5-year period when they are “expired.” After this, they “cancel.” In this example, the funds are “current” for 2 years (1996 & 1997), then they’re “expired” for 5 years (1998-2002). That means these funds will “cancel” the first moment of 1 Oct 2002 (i.e., the first day of FY 2003).

4.a. **Yes.** RDT&E funds are “current” for 2 years so these funds are current and available for obligation during 1996 and 1997 only.

4.b. **Yes.** See 4.a. above.

4.c. **No.** See 4.a. above. These funds are “current” only until midnight 30 Sep 97, then they

CANCELED FUNDS?

- DCMA Gets Report of Contracts/ACRNs That Are Identified for Cancellation that FY
- Work With DFAS and Contractor to Resolve
  - Ship!
  - Get Invoices Submitted!
- If Funds Cancel
  - DFAS Responsibility to Get Current Year Funds from Buying Commands for Payment

PREVALIDATION

- Improve Integrity of Financial Management Process
  - Match Disbursements to Specific Obligation
  - Performed by DFAS in Conjunction with Specific Accounting Stations
  - Improves Accuracy of Contract Payments